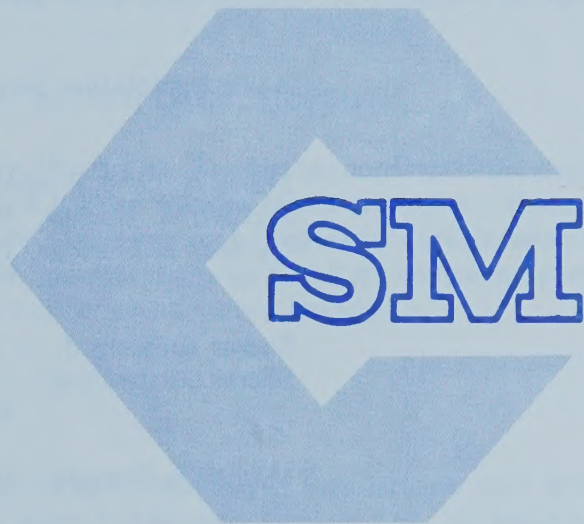


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CREAM SILVER MINES LTD.
[N.P.L.]

Annual Report
1972

CREAM SILVER MINES LTD. (N.P.L.)

Registered Office:	Ninth Floor, Credit Foncier Building 850 West Hastings Street Vancouver 1, B.C.
Transfer Agent:	Guaranty Trust Company of Canada
Consulting Engineers:	Agilis Exploration Services Ltd.
Board of Directors:	Frank A. Lang, President Richard W. Hughes, Vice-President Gardner S. Eldridge, Director
Capitalization:	Shares authorized: 3,000,000 Shares outstanding: 1,698,792
Auditor:	Morgan & Company, Chartered Accountants
Solicitors:	DuMoulin, Black, Brazier & Hall Barristers & Solicitors
Stock Exchange:	Vancouver - Listed Ticker Symbol - CEM

CREAM SILVER MINES LTD.

[N.P.L.]

ANNUAL REPORT TO SHAREHOLDERS

We present herewith the 1972 Annual Report of your Company together with Financial Statements and Auditor's Report for the year ended March 31, 1972.

The past year has been one of much improved activity. Commencing with the work by Western Mines Ltd. on our Vancouver Island Property and further work in the Yukon, your Company has expanded into the Kamloops Area, acquiring several properties, one of which is being explored under a joint venture agreement with Celtic Minerals Ltd., and others on which work is proposed to commence this fall. In addition your Company has joined with two other Companies to explore mineral claims in the Robb Lake Area of Northeastern British Columbia.

VANCOUVER ISLAND – BUTTLE LAKE PROPERTY

Work by Western Mines Ltd., has further confirmed the extension of the favourable geological unit which is host for the Western Mines orebodies. Following initial studies and diamond drilling within one-half mile of our common boundary, work is being extended to cover the full seven miles of strike length towards the large porphyry copper property of Big 1 Mines Ltd., but has been delayed by last year's unbelievably heavy snowfall.

YUKON – ROSE GROUP

Following receipt of new financing in February we were able to commence exploration work as recommended by Agilis Exploration Services Ltd. At this time only initial geochemical survey results are available and these appear to be very favourable.

ROBB LAKE

Thirty claims were acquired jointly with two other companies for the sum of \$1600 cash and 17,500 shares each. They are well located within a favourable geological trend and are being explored by Agilis Exploration Services Ltd. Geochemical and geological surveys are now completed in the field and further results are awaited.

KAMLOOPS

Of main interest at this time is the 'DV' Group of mineral claims on the north side of Kamloops Lake, which are being explored under a joint-venture agreement with Celtic Minerals Ltd. Detailed geology, geochem and I.P. Surveys have now been completed and drill targets determined.

Two other groups of mineral claims in which your Company holds a 50% interest are the 'EST' and 'MARDI' groups. Exploration work is proposed this fall.

ANNUAL REPORT TO SHAREHOLDERS Cont'd.

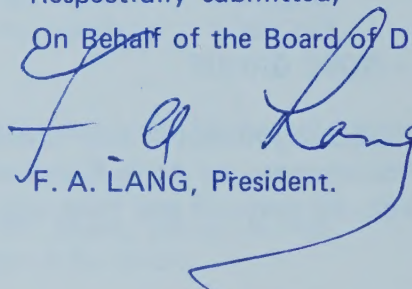
GENERAL

During the year to March 31, 1972, working capital increased from a deficiency of \$14,789.07 to assets of \$110,938.14, through the sale of 350,000 treasury shares at various prices, and from sale of investments. Subsequently, an additional \$55,000.00 was received from sale of shares and \$6606.75 from investments, in total, \$175,000.00 was received from sale of shares and \$22,039.25 has been received to date from monies invested in shares of Afton Mines Ltd. and Celtic Minerals Ltd. Present investments include 50,000 shares of Abadon Holdings N.L., an Australian Company which is developing several promising precious-mineral and base-metal properties in Southern Australia.

Increases in the prices of Zinc and Gold, followed by more recent improvements in the prices of Silver and Copper are helping to increase the interest in many of our properties. We are now in a sound financial condition and are holding several excellent mineral properties in B.C. and the Yukon. Your Directors look forward to a very active and promising year.

It is with deep regret that we report the passing of one of our Directors, Mr. Stanley K. Lothrop. 'Stan' was well known in the mining industry, having spent many years in the North-west Territories, Greenland, and British Columbia; and in later years was in charge of our Vancouver Island explorations. He is sincerely missed by all of us.

Respectfully submitted,
On Behalf of the Board of Directors,



F. A. LANG, President.

September 11, 1972

MORGAN & COMPANY

Chartered Accountants

John F. Morgan
Tor B. Barth
Lorne M. Beauchamp

846 West Hastings Street
Vancouver 1, British Columbia
Telephone: (604) 687-5841

AUDITORS' REPORT

The Shareholders
Cream Silver Mines Ltd.
(Non-Personal Liability)
Vancouver, Canada

We have examined the balance sheet of Cream Silver Mines Ltd. (Non-Personal Liability) as at March 31, 1972 and the statements of deferred exploration and administrative expenditure and of source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at March 31, 1972 and the results of its operations and the source and application of its funds for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
June 7, 1972

Morgan & Company
Chartered Accountants

CREAM SILVER MINES LTD.
(Non-Personal Liability)

BALANCE SHEET

March 31, 1972

(With Comparative Figures as at March 31, 1971)

ASSETS

	<u>1972</u>	<u>1971</u>
Current assets:		
Cash	\$ 82,403.29	\$ 2,951.04
Accounts receivable	11,979.85	118.57
Investment in securities, at cost (Note 1)	15,000.00	
Advance for purchase of securities (Note 2)	3,000.00	
	<u>112,383.14</u>	<u>3,069.61</u>
Investment in and advances to wholly owned subsidiary company, Belmoral Mines Ltd. (Non-Personal Liability):		
Investment in 2 shares, at cost	.02	.02
Advances	<u>1,294.33</u>	<u>1,294.33</u>
	<u>1,294.35</u>	<u>1,294.35</u>
Mineral claims (Note 3):		
Vancouver Island:		
Attributed value of 690,000 shares issued	86,250.00	86,250.00
Cash consideration	<u>15,000.00</u>	<u>15,000.00</u>
	<u>101,250.00</u>	<u>101,250.00</u>
Yukon Territory:		
Attributed value of 10,000 shares issued	1,000.00	1,000.00
Staking costs	<u>4,168.59</u>	<u>4,168.59</u>
	<u>5,168.59</u>	<u>5,168.59</u>
	<u>106,418.59</u>	<u>106,418.59</u>
Exploration and office equipment, at cost	6,346.81	7,101.22
Less accumulated depreciation (Note 4)	<u>1,269.36</u>	<u>1,269.36</u>
	<u>5,077.45</u>	<u>7,101.22</u>
Deferred exploration and administrative expenditure, per attached statement	<u>172,776.98</u>	<u>161,047.92</u>
Incorporation costs	<u>890.74</u>	<u>890.74</u>
	<u>\$ 398,841.25</u>	<u>\$ 279,822.43</u>

See accompanying Notes to Financial Statements

Approved on behalf of the Board:

..... F. A. Lang Director

..... R. Hughes Director

LIABILITIES and SHAREHOLDERS' EQUITY

	<u>1972</u>	<u>1971</u>
Current liabilities:		
Accounts payable	\$ 150.00	\$ 3,651.02
Due to directors, including accrued salaries	<u>1,295.00</u>	<u>14,207.66</u>
	<u>1,445.00</u>	<u>17,858.68</u>
Shareholders' equity:		
Share capital:		
Authorized:		
3,000,000 shares of 50¢ par value per share		
Issued (Note 5):		
700,000 shares for mineral claims	350,000.00	350,000.00
Less discount	<u>262,750.00</u>	<u>262,750.00</u>
	<u>87,250.00</u>	<u>87,250.00</u>
831,292 shares for cash (1971 - 481,292 shares)	415,646.00	240,646.00
Less discount and commission	<u>123,272.25</u>	<u>68,272.35</u>
	<u>292,373.75</u>	<u>172,373.75</u>
<u>1,531,292</u> shares (1971 - 1,181,292 shares)	<u>379,623.75</u>	<u>259,623.75</u>
Earned surplus:		
Profit on disposal of investments	<u>15,432.50</u>	
Contributed surplus:		
Proceeds from sale of donated shares (Note 6)	<u>2,340.00</u>	<u>2,340.00</u>
	<u>\$ 398,841.25</u>	<u>\$ 279,822.43</u>

CREAM SILVER MINES LTD.
(Non-Personal Liability)

STATEMENT of DEFERRED EXPLORATION and ADMINISTRATIVE EXPENDITURE

For the Year Ended March 31, 1972

	Balances at Beginning of Year	Expenditures During Year	Balances at End of Year
Exploration:			
Vancouver Island claims:			
Wages and benefits	\$ 44,448.97		\$ 44,448.97
Geophysical and geological surveys	7,398.89		7,398.89
Assays, recording fees and engineering	18,773.82		18,773.82
Travel and transportation	8,095.09	\$ 177.26	8,272.35
Depreciation - equipment		1,175.30	1,175.30
Sundry field expense	10,885.96	344.64	11,230.60
	<u>89,602.73</u>	<u>1,697.20</u>	<u>91,299.93</u>
Less option payment received (Note 3)	8,000.00	2,000.00	10,000.00
	<u>81,602.73</u>	<u>(302.80)</u>	<u>81,299.93</u>
Yukon claims:			
Wages and benefits	7,069.50		7,069.50
Assays, recording fees and engineering	12,226.64	125.00	12,351.64
Travel and transportation	7,092.21		7,092.21
Sundry field expense	2,234.02		2,234.02
	<u>28,622.37</u>	<u>125.00</u>	<u>28,747.37</u>
Kamloops area exploration:			
Sundry field expense		23.50	23.50
Sundry exploration:			
Sundry field expense		49.25	49.25
Total exploration expenditure	<u>110,225.10</u>	<u>(105.05)</u>	<u>110,120.05</u>
Administration:			
Salaries and benefits	21,174.84	1,234.50	22,409.34
Office rent and telephone, net	5,264.06	581.28	5,845.34
Printing and advertising	5,181.07	1,997.77	7,178.84
Legal and accounting fees and disbursements	11,819.88	4,350.20	16,170.08
Stock transfer expense	3,807.69	1,428.35	5,236.04
Stock exchange fees	2,000.00	1,250.00	3,250.00
Interest expense		779.31	779.31
Depreciation - equipment		94.06	94.06
Other	4,912.04	386.97	5,299.01
	<u>54,159.58</u>	<u>12,102.44</u>	<u>66,262.02</u>
Less interest earned	<u>3,336.76</u>	<u>268.33</u>	<u>3,605.09</u>
Total administration expenditure	<u>50,822.82</u>	<u>11,834.11</u>	<u>62,656.93</u>
Total deferred exploration and administrative expenditure, per balance sheet	\$ <u>161,047.92</u>	\$ <u>11,729.06</u>	\$ <u>172,776.98</u>

CREAM SILVER MINES LTD.
(Non-Personal Liability)

STATEMENT of SOURCE and APPLICATION of FUNDS

For the Year Ended March 31, 1972
(With Comparative Figures for the Year Ended March 31, 1971)

	<u>1972</u>	<u>1971</u>
Source of funds:		
Option payment received in respect of agreement on the Vancouver Island claims	\$ 2,000.00	\$ 8,000.00
Proceeds from the sale of donated shares		2,340.00
Proceeds from the sale of shares from the treasury	120,000.00	
Proceeds from the sale of equipment	650.00	
Proceeds from disposal of investments, net	15,432.50	
Interest income	268.33	174.49
	<u>138,350.83</u>	<u>10,514.49</u>
Application of funds:		
Advanced to subsidiary company - Belmoral Mines Ltd. (Non-Personal Liability)		45.00
Purchase of equipment	205.59	
Exploration and administrative expenditure, per attached statement	11,729.06	23,134.71
Add interest income deducted - included above	268.33	174.49
Add option payment received in respect of agreement on the Vancouver Island claims - included above	2,000.00	8,000.00
Deduct non cash expenditures:		
Loss on disposal of equipment - included with sundry field expenditure	(310.00)	
Depreciation	<u>(1,269.36)</u>	
	<u>12,623.62</u>	<u>31,354.20</u>
Increase (decrease) in working capital	<u>125,727.21</u>	<u>(20,839.71)</u>
Working capital (deficiency) at beginning of year	<u>(14,789.07)</u>	<u>6,050.64</u>
Working capital (deficiency) at end of year	\$ <u><u>110,938.14</u></u>	\$ <u><u>(14,789.07)</u></u>
Represented by:		
Current assets	\$ 112,383.14	\$ 3,069.61
Current liabilities	<u>1,445.00</u>	<u>17,858.68</u>
	\$ <u><u>110,938.14</u></u>	\$ <u><u>(14,789.07)</u></u>

CREAM SILVER MINES LTD.
(Non-Personal Liability)

NOTES to FINANCIAL STATEMENTS

March 31, 1972

1. The investment consists of the following securities:
Government of Canada bonds, 5-3/4% to 7-3/4% due November 1, 1980.
2. As at March 31, 1972, \$ 3,000.00 had been advanced to Abadon Holdings, N.L. (an Australian company engaged in mining exploration) for 10,000 shares to be issued by that company.

Subsequent to the date of the balance sheet, the company advanced another \$ 12,000.00 for another 40,000 shares to be issued.

3. The mineral claims consist of the following groups:
 - a) The Vancouver Island claims, Alberni Mining Division, Province of British Columbia

The company is the registered owner of these claims which are located within a class "B" park under the Park Act of the Province of British Columbia. The company holds a Special Use Permit allowing it to prospect and carry out exploration on the claims.

An option agreement has been signed with Western Mines Limited in respect of these claims. Under the agreement Western Mines Limited will have the option to incorporate a new company into which the claims will be transferred after having complied with the following terms:

1. To pay to Cream Silver Mines Ltd. \$ 40,000.00 cash of which \$ 10,000.00 is a firm commitment and has been paid.
2. To expend a total of \$ 750,000.00 on the claims by December 31, 1975. \$ 100,000.00 of the \$ 750,000.00 is a firm commitment and must be expended before December 31, 1972.

Cream Silver Mines Ltd. (N.P.L.) will own 30% and Western Mines Limited will own 70% of the shares of the new company. In addition, and according to the terms of the agreement, Western Mines Limited has purchased 50,000 shares of Cream Silver Mines Ltd. (N.P.L.) at 50¢ each.

- b) The Yukon claims, Mayo Mining Division, Yukon Territory
The company is the registered owner of these claims which were acquired partly by staking and partly by purchase from Belcarra Explorations Ltd. (N.P.L.) for the following consideration:
 1. 10,000 free shares of Cream Silver Mines Ltd. (N.P.L.).
 2. A royalty of 2-1/2% to be paid out of net smelter returns from the production of these claims only - such royalty to be waived on receipt of \$ 250,000.00 cash in total or a 5% interest in the operating company.

CREAM SILVER MINES LTD.
(Non-Personal Liability)

NOTES to FINANCIAL STATEMENTS

March 31, 1972

3. (Cont.)

Subsequent to the date of the balance sheet, the company has also acquired certain mineral claims in the Kamloops area of the Province of British Columbia. Some of these claims were acquired through agreements for a total cash consideration of \$ 5,400.00 while others were acquired through staking.

Also subsequent to the date of the balance sheet, the company advanced \$ 25,000.00 in respect of an engineering program on the company's Yukon properties.

4. Depreciation for the year has been recorded on the company's equipment at 20% of original cost values.
5. Of the 700,000 shares issued for mineral claims, 517,500 shares are held in escrow subject to release only with the consent of the Vancouver Stock Exchange.

During the period 350,000 shares were issued for cash proceeds of \$ 120,000.00.

Pursuant to an underwriting agreement dated February 2, 1972, the following share options were outstanding as at March 31, 1972:

100,000 shares at 35¢ (due date May 15, 1972)
200,000 shares at 40¢ (due date August 13, 1972)

Subsequent to March 31, 1972, the option expiring on May 15, 1972 was exercised and the proceeds of \$ 35,000.00 were paid to the company's treasury.

6. During the year remuneration was paid to the directors as follows:

Payment in respect of salaries accrued as at March 31, 1971 regarding services rendered in their capacities as employees of the company	\$ 8,650.00
Payment of current salaries for services rendered by one of the directors	600.00
Payment of interest on personal loan of one of the directors	<u>757.10</u>
	<u>\$ 10,007.10</u>

No remuneration was paid to directors in their capacity as such.

7. The accounts of the wholly owned subsidiary, Belmoral Mines Ltd. (Non-Personal Liability), have not been consolidated as the subsidiary has no material assets and has been inactive during the year.

